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SUBJECT: MEDIA REACTION: SECDEF VISIT TO CHINA, EXCHANGE RATE  
MANIPULATION, CARBON TAX

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Editorial Quotes  
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11. SECDEF VISIT TO CHINA

"U.S. Secretary of Defense will pay a quick visit to Asia-Pacific region"

The official Communist Party international news publication Global Times (Huanqiu Shibao)(10/16)(pg 8): "Experts said that the quick visit of the U.S. Secretary of Defense to the Asia-Pacific region and his quick return to the U.S. to meet with Xu Caihou, Vice Chairman of China's Central Military Committee, show that the Asia-Pacific region has become a focus of the United States' global strategy. Military expert Dai Xu said he believes that Gates' visit is not a routine official visit, but instead is intended to emphasize the urgency of military affairs in the region. Dai argued that Gates' visit is also related to recent changes in the East Asian situation. Gates' visit will test the new Japanese government's military and diplomatic red lines and make adjustment to U.S. policy on Japan accordingly. The U.S. may send a warning to Japan over its attempt to weaken the bilateral military alliance."

12. EXCHANGE RATE MANIPULATION

"Who is manipulating exchange rates?"

Guangdong 21st Century Publishing Company Ltd.'s business newspaper 21st Century Business Herald (21Shiji Jingji Baodao) (10/16)(pg 2): "Since the U.S. dollar was first floated, its value has always been decided by political and financial considerations. The United States is in fact the real manipulator of exchange rates. Exchange rates are now being used by governments to achieve political purposes, and their function has gone far beyond regulating international balance of payments. If the U.S. wants to challenge China over currency manipulation, it needs to first explain why the timing of the increases and decreases in the price of the U.S. dollar has been so clever? After all, the U.S.'s key strategy is to use yuan appreciation as a weapon to force China into making concessions on the opening of its financial markets. A currency war has already been started."

13. CARBON TAX

"Can China bear the burden of a carbon tax?"

The Shanghai-based Shanghai Media Group (SMG) publication, China Business News (Diyi Caijing)(10/16)(pg A2): "The Ministry of Finance of China indicated in a report that China's economic growth has slowed down due to the impact of the international financial crisis on China's macroeconomic situation, which will cause a delay in the collection of a carbon tax. If a carbon tax is collected, the worst-case GDP loss predicted will be less than 0.5%. It is thought that the collection of a carbon tax will drive growth in the economy of Eastern China, but in Central and Western China, where the

economy depends on high energy consumption but low efficiency in production, the government should adopt different tax collection policies. Cai Fang, Director of Population Studies at the China Academy of Social Sciences, argued that the development of a low-carbon economy is conditional. China's current GDP per capita is low at USD 3,000. At the same time, China is in a stage of rapid economic development. China currently does not have green technologies. The implementation of emission reduction measures will not automatically create jobs. If China wants to minimize job losses and at the same time reduce emissions to enter the 'double-dividend club,' it needs to establish a mechanism to do so and change the existing economic development model."

HUNTSMAN